

# A Health-Care Bargain

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Three years ago this month, insurance companies began offering Americans a new type of medical coverage: health savings accounts, which marry low-cost, high-deductible health insurance policies with pre-tax accounts to pay for day-to-day health care. But the anniversary is muted. A slew of reports have been critical, dismissing consumer-driven health care as unpopular and harmful; and with the Democrats in control of Congress, Washington's enthusiasm for the concept has cooled. Nevertheless, the Republicans should take credit where due. The White House ought to build on the growing success of HSAs, which are integral to the president's vision of "affordable and available" health care.

An executive of an upstart airline recently described her company as having three 757s, more than 200 employees, and one big headache: rising health-care costs. Thus, they made the switch to HSAs in 2006, and premiums rose just 5%, compared with a national average of over 8%. Such successes aren't making the news, but overwhelmingly negative stories are. A much reported Commonwealth Fund survey, for example, concluded that enrollment in consumer-driven plans is stagnant, people are grossly dissatisfied, and care is delayed. But the report was flawed on its face: For one, it was unrepresentative, drawn from a pool of "Internet users who have agreed to participate in research surveys."

Here's the untold story: Despite recent entry into the market, these plans are gaining popularity. Drawing on information from major insurance carriers, William Boyles, publisher of the Consumer Driven Market Report, estimates that enrollment in HSA-type plans or HRAs (a forerunner to health savings accounts) more than doubled since January 2006, to 13.4 million Americans. The estimate is plausible, as last year twice as many employers offered this coverage than in 2005, and the number of financial institutions supporting HSAs tripled.

Early data suggest good results. Following a year-long analysis of consumer-driven health-care members, Cigna reports that costs are 16% lower than for enrollees in traditional plans, but the use of medications for chronic conditions increased. Enrollees in Aetna's consumer-directed HealthFund maintain their health (even if chronically ill), and purchase more preventative services, yet medical costs rose just 3% in HRA-based plans between 2002 and 2005. A Kaiser Family Foundation survey finds 71% of those with the new "consumer-directed health plans" consider cost when seeking health care, compared with 49% of those with more traditional employer-sponsored coverage.

Granted, not everyone is satisfied. Half of the Kaiser respondents, for example, want to switch to a traditional plan. Reservations aren't surprising -- HSAs can seem initially complicated. EOS, the upstart airline, held townhall meetings and offered health coaches to smooth the transition.

Looking back on GOP-era Capitol Hill, welfare reform stands out as the greatest achievement; health savings accounts may eventually be considered a close second. If HSAs can help tame health inflation, the timing couldn't be more critical. According to HHS projections, without significant changes, national health spending will double to about \$4 trillion by 2014.

Democrats have their own agenda. The House has already voted to change Medicare's prescription drug benefit so that the federal government can "negotiate" prices. They also want to expand Schip, the Clinton administration's state health program for children. As the minority party, the GOP may be tempted to go on the defensive, opposing Democratic ideas (as they did with HillaryCare) or aiming to temper them (their strategy for Schip). But instead, Republicans should espouse a positive agenda, regardless of whether all its elements can be passed, including the improvement and expansion of HSAs.

One improvement is to loosen the mandated structure of the HSA. Employers have no flexibility, for instance, to decide what the deductible covers, thus lumping diabetic supplies and Viagra into one cost category. Another improvement would allow individuals to make larger annual deposits into HSAs, as President Bush has championed. So too would be, in line with the State of the Union health-care proposals, a leveling of the tax playing field, allowing individuals to purchase HSAs with the same tax preference as employers. While many Democrats loathe HSAs, it is still possible that HSAs can be improved and expanded if tactical opportunities arise. Remember, Ronald Reagan got his tax cut, even though many Democrats loathed that, too.

Republicans could also urge more state experimentation. Members from both parties -- Sens. Jeff Bingaman and George Voinovich, along with Reps. Tammy Baldwin, Tom Price and John Tierney -- recently proposed legislation to create a super-commission, charged with receiving reform ideas from states and then making grants to enable them. The White House has a bargaining chip here: Without action, Schip will expire, and it might be possible to meet the Democrats half way. They could extend Schip in states that are interested, while other states would have greater freedom to experiment with market reforms such as expanded HSAs.

And that could help make the fourth anniversary of HSAs even more significant.

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